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DEPARTMENT FOR EUR/SCE

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SUBJECT: PUBLIC SECTOR UNIONS ANNOUNCE STRIKE FOR MAY 13

REF: A. ZAGREB 173

1B. 2008 ZAGREB 874

11. (U) SUMMARY: Eight public sector unions will go on strike May 13 and stage a public demonstration May 16 over the six percent pay cut that took effect April 1 as part of the GOC's budget revision. The decision comes after nearly two months of failed negotiations and a majority vote by union members in favor of the strike. Union leaders say they would accept the pay cut only if the GOC would promise a quicker return to parity pay levels when the economy improves. One union leader told us the government negotiators have been completely unresponsive to their proposals. Given that most of the workers involved provide direct services to the public daily, announcement of the strike and demonstration may provide sufficient pressure for the GOC to compromise in the next few days to avoid facing these events just days before the May 17 local elections. End summary.

Strike Set for May 13, with Majority Support from Union Members

12. (U) At a press conference on May 5, leaders of eight public-sector unions announced their workers would begin a strike May 12 (on May 6, they moved the start date back to May 13). They also announced they would organize a demonstration on the main square in Zagreb for May 16. Notably, these events will all occur just before the local elections scheduled for May 17. The strike is in response to a six percent pay cut that took effect April 1 under the revised GOC budget (ref A). The unions' announcement came after nearly two months of negotiations--both formal and behind closed doors--failed to produce an agreement between the GOC and the unions. Before deciding to call the strike, the eight unions polled their members. Union leaders report that overall, 72 percent of members responded, and 86 percent of respondents voted to strike. With a 46 percent response rate, only the doctors' union heard from less than half of its membership, though 82 percent of doctors who responded favored the strike. The unions involved in these actions represent workers at public institutions in the areas of education (including universities), healthcare, social services, science, and culture. (Note: These unions do not represent employees in government ministries and administration, who agreed to the pay cut and will not join the strike.) Union leaders told the press they expect 100,000 to 180,000 people to participate in the strike.

Background: GOC Unilaterally Rescinds Pay Raise

13. (U) The question of salary reductions first arose as an issue in late 2008 during preparation of the 2009 budget. The GOC asked all public sector and government employees to agree to postponement of a six percent pay increase scheduled to take effect January 1, 2009. The employees held firm, and the original 2009 budget included the six percent raise (ref B). The issue resurfaced when the GOC revised the budget in March

in response to the economic crisis. Through negotiations, government administration employees agreed to cancellation of the six percent raise, but other public sector employees did not agree to the cut. The government, however, went ahead and approved the revised budget with a six percent cut for all government and public sector employees. In return, the GOC promised to raise salaries by six percent after two consecutive quarters of two percent real GDP growth.

Unions Seek Quicker, More Certain Return to Higher Pay

¶4. (U) The unions immediately threatened to strike or sue, but continued negotiations with the GOC. Some of the media have portrayed the unions as unreasonable and unwilling to propose any compromise in a time of economic crisis. However, Vilim Ribic, president of the Independent Union of Research and Higher Education, told us the unions have proposed a compromise, but the GOC has refused to consider it or offer a counterproposal. Ribic said the unions offered to accept the six percent cut under two main conditions. They want the government to agree to raise salaries after two consecutive quarters of positive GDP growth, as long as just one of the quarters sees at least two percent growth. Ribic said given the uncertainty of future economic conditions, it could be hard to achieve two consecutive quarters of two percent growth any time soon, and workers cannot risk waiting.

¶5. (SBU) The second condition they seek is salary parity. When GDP grows and pay levels are raised, the unions want more than six percent. Ribic said the GOC always targets state administration and public servant salaries for cost

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savings. He said state enterprise salaries have grown by ten percent for years, and local government employees have "always" received twenty to fifty percent higher salaries than those in the state administration. He said union leaders have warned the GOC before that it needs a wage policy to regulate these inequities. He suggested the government is now restricting information about the issue, as the Ministry of Finance stopped providing analysis of public enterprise wages two months ago.

Unions Say Ministers Are Not Competent Negotiators

¶6. (C) Ribic was quite critical of the primary ministers negotiating for the GOC, Minister of Finance Ivan Suker, and Deputy Prime Minister Jadranka Kosor. He said unlike ministers from prior governments, Suker and Kosor had no ideas or solutions to offer. He said Suker became agitated during the negotiations, pounding the table and yelling. According to Ribic, rather than offering counterproposals, Suker's only response to the unions' proposals was to say the GOC could not offer anything because it has no money and to accuse the unions of being irresponsible and not understanding the situation. According to media reports, Ribic walked out of one of the final negotiating sessions, saying he would only speak with the prime minister. When we met with Ribic the following week, on April 28, he said the PM had designated Bozidar Kalmeta, Minister of Sea, Traffic and Infrastructure, to negotiate with him "behind closed doors." They had met several times and planned to meet again, but Ribic was not hopeful of reaching an agreement and fully anticipated the strike announcement that came on May 5.

Comment

¶7. (SBU) The public has shown little support for the cause of the public sector employees thus far, perhaps feeling little sympathy over what amounts to nothing more than a wage freeze when many in the private sector fear losing their jobs. Many of the workers who will strike, however, provide necessary services directly to the public, which will exert pressure to

resolve the issue quickly. The May 17 elections provide another incentive for the GOC. As the ruling Croatian Democratic Union (HDZ) seeks to bolster its position in what has been a difficult year, PM Sanader may yet calculate that offering the unions a compromise is an acceptable price to avoid the strike, and to add one last accomplishment the party's scorecard prior to the elections.

BRADTKE